



I didn't know we had one

Posted by [Heading Out](#) on October 3, 2005 - 9:24pm

Topic: [Policy/Politics](#)

Tags: [heating oil reserve](#), [oil prices](#), [peak oil](#) [[list all tags](#)]

[Salon](#) is carrying an AP story about the Northeast Heating Oil Reserve.

Congress five years ago created a 2-million-barrel Northeast heating oil reserve that is to be used in case of supply shortages or delivery problems in nine states from Maine to Pennsylvania. Fuel oil is widely used in the Northeast to heat homes and businesses.

The government stockpile of heating fuel, which is rotated regularly while held at private terminals in New York Harbor and Connecticut, has never been used.

The article notes that

Bodman said that a decision to release additional government stocks of crude oil, or for the first time tap the government's Northeast heating oil reserve, will be considered by Bush.

"We are prepared to do what is necessary with regards to the strategic reserves," Bodman said, adding that the president has indicated "he is prepared to do whatever it takes" to meet supply needs.

This may indicate that the realisation as to the seriousness of the GOMEX situation is now rising to higher levels. Since the supply is very obviously cited for the benefit of the North East, one wonders how this might tie in with needs in the upper Mid West, to pick just one place. And who decides what? So far in the selling of the oil from the SPR those who have asked have been given, since the numbers have not reached the limits that were set. Of course this also relates to the type of crude that the refineries want, since there is now some surplus Mexican oil around, as was posted last night.

Does price now decide who gets what ? It will be interesting to see how this works out - after all how far west do we have to move to be no longer considered part of the North-East?

More information on the reserve from the [EIA](#) and for those who can't be bothered with the Salon advert here is the same news from [China](#), with more information as to how it came about [here](#).

This is today's pleasant surprise, [Slate](#) carries a story about the unpleasant one, the rising cost that the heating oil will carry. (Interesting question I wonder who sets the price that the government will sell its oil for ?]. The story points out that heating oil is bought in large chunks,

and thus the impact of the price increase is more severe. Given also that it is pre-purchased - you fill your tank normally ahead of the storms - one wonders if the price will leave more people buying less and gambling on a milder winter. Which is not, I don't think on the cards this year. This could be the precursor to some difficult winters ahead, but if this is relatively mild it may be a sufficient wake-up call to get a broader discussion on a long term plan, rather than just relying on temporary fixes that may not always be there. UPDATE: [Poten](#) has an interesting [story in pdf format](#) about the shipping of oil around the country.

Six foreign flag vessels were reported fixed to carry cargoes from New York to the U.S. Gulf, an extremely unusual situation since cargoes are normally fixed from the U.S. Gulf to the Northeast. These cargoes were intended to take advantage of the differential in gasoline prices between New York and Houston. All but one of these fixtures failed because congestion is at such a high level in Gulf coast ports that the financial incentive would be eaten away in demurrage charges. However, the price differential is causing a diversion of cargoes destined for the Northeast to the U.S. Gulf.

. The article goes on to point out the impact of the lack of handling facilities in the Gulf may have on shipping availability in the future. And this is still in the early days of the situation.



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